

**CITY COURT OF MORGAN CITY**

Morgan City, Louisiana

Financial Report

*Year Ended December 31, 2013*

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## INDEPENDENT AUDITORS' REPORT

The Honorable Kim P. Stansbury, Judge  
City Court of Morgan City  
Morgan City, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City Court of Morgan City (hereinafter "Court"), a component unit of the City of Morgan City, Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Court's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 26-29 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Court has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2014, on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 28, 2014

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Net Position  
December 31, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 254,189
Prepaid expenses	2,167
Capital assets, net of accumulated depreciation	<u>27,202</u>
Total assets	<u>283,558</u>
LIABILITIES	
Current liabilities:	
Accounts payable	4,084
Payroll taxes payable	2,947
Due to other governments	<u>2,700</u>
Total liabilities	<u>9,731</u>
NET POSITION	
Invested in capital assets	27,202
Restricted for special programs	176,150
Unrestricted	<u>70,475</u>
Total net position	<u>\$ 273,827</u>

*The accompanying notes are an integral part of the basic financial statements.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Activities  
Year Ended December 31, 2013

Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	<u>\$433,106</u>	<u>\$103,173</u>	<u>\$ 343,892</u>	\$ 13,959
		General revenues:		
		Interest and investment earnings		<u>128</u>
		Change in net position		14,087
		Net position - January 1, 2013		<u>259,740</u>
		Net position - December 31, 2013		<u>\$ 273,827</u>

*The accompanying notes are an integral part of the basic financial statements.*



## **FUND FINANCIAL STATEMENTS**

## **MAJOR FUNDS DESCRIPTIONS**

### **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

### **SPECIAL REVENUE FUND**

#### **Juvenile Services Center**

To account for the receipt and use of fines collected for for the operation and maintenance of the Juvenile Services Center.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Balance Sheet  
Governmental Funds  
December 31, 2013

	<u>General</u>	<u>Juvenile Services Center</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets:			
Cash	\$ 78,039	\$ 176,150	\$ 254,189
Prepaid expenses	<u>2,167</u>	<u>-</u>	<u>2,167</u>
Total assets	<u>\$ 80,206</u>	<u>\$ 176,150</u>	<u>\$ 256,356</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,084	\$ -	\$ 4,084
Payroll taxes payable	2,947	-	2,947
Due to other governments	<u>2,700</u>	<u>-</u>	<u>2,700</u>
Total liabilities	<u>9,731</u>	<u>-</u>	<u>9,731</u>
Fund balances:			
Nonspendable	2,167	-	2,167
Restricted	-	176,150	176,150
Committed	68,064	-	68,064
Unassigned	<u>244</u>	<u>-</u>	<u>244</u>
Total fund balances	<u>70,475</u>	<u>176,150</u>	<u>246,625</u>
Total liabilities and fund balances	<u>\$ 80,206</u>	<u>\$ 176,150</u>	<u>\$ 256,356</u>

(continued)

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Balance Sheet (continued)  
Governmental Funds  
December 31, 2013

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balances for all governmental funds at December 31, 2013		\$ 246,625
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. Those assets consists of furniture, fixtures, and equipment.	\$ 176,626	
Less: Accumulated depreciation	<u>(149,424)</u>	<u>27,202</u>
Net position of governmental activities at December 31, 2013		<u>\$ 273,827</u>

*The accompanying notes are an integral part of the basic financial statements.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2013

	<u>General</u>	<u>Juvenile Services Center</u>	<u>Total Governmental Funds</u>
Revenues:			
Fees, charges and commissions -			
Court costs, fees, and fines	\$ 73,799	\$ 29,374	\$ 103,173
Intergovernmental	328,892	-	328,892
Donations	-	15,000	15,000
Interest income	<u>128</u>	<u>-</u>	<u>128</u>
Total revenues	<u>402,819</u>	<u>44,374</u>	<u>447,193</u>
Expenditures:			
Current-			
General government-			
Operating services	386,820	7,362	394,182
Materials and supplies	19,420	4,591	24,011
Travel and other charges	<u>8,880</u>	<u>654</u>	<u>9,534</u>
Total expenditures	<u>415,120</u>	<u>12,607</u>	<u>427,727</u>
Net change in fund balances	(12,301)	31,767	19,466
Fund balances, beginning	<u>82,776</u>	<u>144,383</u>	<u>227,159</u>
Fund balances, ending	<u>\$ 70,475</u>	<u>\$ 176,150</u>	<u>\$ 246,625</u>

(continued)

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)  
Governmental Funds  
Year Ended December 31, 2013

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities:

Total net change in fund balances for the year ended December 31, 2013 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 19,466
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Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Depreciation expense for the year ended December 31, 2013	<u>(5,379)</u>
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Total change in net position for the year ended December 31, 2013 per Statement of Activities	<u>\$ 14,087</u>
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*The accompanying notes are an integral part of the basic financial statements.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Statement of Fiduciary Net Position  
December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$267,638</u>
LIABILITIES	
Due to others	<u>\$267,638</u>

*The accompanying notes are an integral part of the basic financial statements.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements

INTRODUCTION

As provided by LSA-RS 13:1871 et seq, the City Court of Morgan City (Court) accounts for the operation of the Court's office. The City Court Judge is elected for a six-year term.

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

As the governing authority of the City, for reporting purposes, the City of Morgan City is the financial reporting entity. The financial reporting entity consists of the primary government (City), organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the City of Morgan City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

- 1) Appointing a voting majority of an organization's governing body, and
  - a) The ability of the City to impose its will on that organization and/or
  - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
- 2) Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the City provides the Court with office space and pays the salaries and benefits of Court employees, the Court was determined to be a component unit of the City of Morgan City, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City, the general government services provided by the City, or other governmental units that comprise the financial reporting entity.



CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

B. Basis of Presentation

The accompanying basic financial statements of the Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Court as a whole. These statements include all the financial activities of the Court. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the Court's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) court costs, fees, and fines paid by the recipients of services offered by the Court, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the statement of fiduciary net position at the fund financial statement level.

Fund Financial Statements

The Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Court are classified into two categories: governmental and fiduciary. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or its total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund and Juvenile Services Center Special Revenue Fund of the Court are considered to be major funds.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

The funds of the Court are described below:

Governmental Funds –

General Fund – This fund is the primary operating fund of the Court and it accounts for the operations of the Court's office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Court's policy.

Juvenile Services Center Fund – This fund is used to account for the receipt and use of fines collected for the operation and maintenance of the Juvenile Service Center.

Fiduciary Funds –

Fiduciary fund reporting focuses on net position and changes in position. The only funds accounted for in this category by the Court are agency funds. The agency funds account for assets held by the Court as an agent for litigants in civil suits, cash bonds for criminal proceedings, and fees held pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the accrual basis of accounting. The agency funds are as follows:

Fines and Costs Fund – accounts for the receipt and disbursement of bonds, fines, and costs from criminal proceedings to the appropriate governmental entity.

Civil Court Fund – accounts for advance deposits in civil suits and the receipt and disbursement of civil docket fees, small claims fees, and garnishments.

Bond Fund – accounts for the collection of bonds and for the receipt and disbursement of fines and costs in criminal proceedings.

Concursus Fund – accounts for the bond forfeitures that have been paid under protest by insurance companies, pending further investigation.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded with the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

- a. Governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of a period.
- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The types of transactions reported as program revenues for the Court are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

D. Assets, Liabilities, and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Court.

The Court has established the policy of including all short-term, highly liquid investments with maturities of 90 or fewer days in cash and cash equivalents. Under state law, the Court may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Court's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 or fewer days, they are classified as cash equivalents.

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Capital assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Court maintains a threshold level of \$500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office Furniture	5 years
Equipment	5 years
Improvements	10-20 years

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

Equity Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components

1. Invested in capital assets, net of related debt - consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, certificates of indebtedness, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund financial statements

Fund balance for the Court's governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal decision of the Judge, which is the highest level of decision-making authority.
4. Assigned - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned - amounts that are available for any purpose; these amounts can be reported only in the Court's General Fund.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Court considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Court considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Judge has provided otherwise in commitment or assignment actions.

E. Revenues, Expenditures, and Expenses

Operating revenues and expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Revenues and fees, charges and commissions for services are recorded when the Court is entitled to the funds.

Interest on interest-bearing deposits is recorded or accrued as revenue when earned. Substantially all other revenues are recorded when received.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified by character.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Court may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2013, the Court has cash and cash equivalents (book balances) totaling \$521,827 as follows:

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
Demand deposits	<u>\$ 254,189</u>	<u>\$ 267,638</u>	<u>\$521,827</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Court or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2013 are as follows:

Bank balances	<u>\$ 533,698</u>
Federal deposit insurance	\$ 472,903
Pledged securities	<u>60,795</u>
Total FDIC insurance and pledged securities	<u>\$ 533,698</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Court's deposits may not be recovered or the Court may not be able to recover collateral securities that are in the possession of an outside party. The Court does not have a policy to monitor or reduce exposure to custodial credit risk. Deposits in the amount of \$60,795 were exposed to custodial credit risk. Collateral securities are held by the bank, or by its trust department or agent, but not in the Court's name. Even though the pledged securities are not held in the name of the Court, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Court that the depository financial institution has failed to pay deposited funds upon demand.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(3) Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2013</u>
Governmental activities:				
Furniture, fixtures, and equipment	\$ 176,626	\$ -	\$ -	\$ 176,626
Less: accumulated depreciation	<u>144,045</u>	<u>5,379</u>	<u>-</u>	<u>149,424</u>
Net capital assets	<u>\$ 32,581</u>	<u>\$ (5,379)</u>	<u>\$ -</u>	<u>\$ 27,202</u>

Depreciation expense of \$5,379 was charged to the general government function.

(4) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Court is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	<u>General</u>	<u>Juvenile Services Center</u>	<u>Total Governmental Funds</u>
Fund balances			
Nonspendable -			
Prepaid items	\$ 2,167	\$ -	\$ 2,167
Restricted for -			
Special programs	-	176,150	176,150
Committed for -			
Special programs	68,064	-	68,064
Unassigned	<u>244</u>	<u>-</u>	<u>244</u>
Total fund balances	<u>\$ 70,475</u>	<u>\$ 176,150</u>	<u>\$ 246,625</u>



CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(5) Changes in Agency Fund Balances

A summary of changes in agency fund unsettled deposits follows:

	Fines and Costs Fund	Civil Court Fund	Bond Fund	Concursus Fund	Total
Balance, January 1, 2013	\$ 15,802	\$208,136	\$ (11,879)	\$ 5,474	\$ 217,533
Additions	425,749	143,495	516,686	28,183	1,114,113
Reductions	<u>(417,244)</u>	<u>(116,939)</u>	<u>(497,149)</u>	<u>(32,676)</u>	<u>(1,064,008)</u>
Balance, December 31, 2013	<u>\$ 24,307</u>	<u>\$234,692</u>	<u>\$ 7,658</u>	<u>\$ 981</u>	<u>\$ 267,638</u>

(6) Intergovernmental Transfers – City of Morgan City

Louisiana Revised Statutes 13:2005.B requires funds accumulated in the operations and maintenance account in excess of \$50,000 to be transferred to the General Fund of the City of Morgan City and shall be used for the purposes of construction and maintenance of the Court and related facilities. The balance in the operations and maintenance account at December 31, 2013 did not exceed the statutory limit of \$50,000; therefore, a transfer to the City of Morgan City is not required.

(7) On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires the Court to report on-behalf payments made by the City of Morgan City to the Court's employees for salaries and related benefits. The basis for recognizing the revenues and expenditure payments is that the actual contribution is made by the City of Morgan City and not by the Court. In 2013 the City paid salaries and benefits, which include payments to the Parochial Employees' Retirement System and Louisiana State Employees' Retirement System (LASERS), to and for the Court Clerk, City Judge, Deputy Clerks, and Probation Officers. On-behalf payments recorded as revenue and expenditures in the general fund financial statements for the year ended December 31, 2013 totaled \$328,892.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Basic Financial Statements (continued)

(8) Retirement

Louisiana State Employees' System (LASERS)

Plan Description

The LASERS, a single employer defined benefit plan, provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana, 70804, or by calling (225) 925-6484.

Funding Policy

Plan members are required to contribute 11.5% of their annual covered salary and the Court is required to contribute at an actuarially determined rate. The current rate is 34.8% for January through June and 36.3% for July through December. Member contributions and employer contributions for the LASERS are established by state law and rates are established by the Public Retirement System's Actuarial Committee. The Court's employer contribution for the LASERS is funded by the State of Louisiana through annual appropriations and by remittances from the Court.

Contributions by plan members and the Court to the LASERS for the years ending December 31, 2013, 2012, and 2011 were \$19,187, \$16,347, and \$14,478, respectively, equal to the required contributions for each year.

(9) New Accounting Pronouncements

During the year ended December 31, 2013, the Court implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by GASB Statement No. 67. The provisions of GASB Statement No. 68 must be implemented by the Court for the year ended December 31, 2015. The effect of implementation of this statement on the Court's financial statements has not yet been determined.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Budgetary Comparison Schedule  
General Fund  
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Positive (Negative)
Revenues:				
Fees, charges and commissions -				
Court costs, fees, and fines	\$105,125	\$104,454	\$ 90,744	\$ (13,710)
Interest income	50	10	128	118
Total revenues	<u>105,175</u>	<u>104,464</u>	<u>90,872</u>	<u>(13,592)</u>
Expenditures:				
Current-				
General government-				
Operating services	73,255	59,240	57,928	1,312
Materials and supplies	22,875	20,659	19,420	1,239
Travel and other charges	6,855	7,465	8,880	(1,415)
Capital outlay	6,200	-	-	-
Total expenditures	<u>109,185</u>	<u>87,364</u>	<u>86,228</u>	<u>1,136</u>
Net change in fund balances	(4,010)	17,100	4,644	(12,456)
Fund balance, beginning	<u>35,603</u>	<u>100,221</u>	<u>82,776</u>	<u>(17,445)</u>
Fund balance, ending	<u>\$ 31,593</u>	<u>\$117,321</u>	<u>\$ 87,420</u>	<u>\$ (29,901)</u>

*See notes to budgetary comparison schedule.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Budgetary Comparison Schedule  
Juvenile Services Center Fund  
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees, charges and commissions -				
Court costs, fees, and fines	\$ 34,500	\$ 29,180	\$ 29,374	\$ 194
Donations	-	-	15,000	15,000
Other income	-	33,220	-	(33,220)
Total revenues	<u>34,500</u>	<u>62,400</u>	<u>44,374</u>	<u>(18,026)</u>
Expenditures:				
Current-				
General government-				
Operating services	15,055	12,315	7,362	4,953
Materials and supplies	14,350	8,085	4,591	3,494
Travel and other charges	755	1,168	654	514
Capital outlay	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>31,160</u>	<u>21,568</u>	<u>12,607</u>	<u>8,961</u>
Net change in fund balances	3,340	40,832	31,767	(9,065)
Fund balance, beginning	<u>117,576</u>	<u>127,527</u>	<u>144,383</u>	<u>16,856</u>
Fund balance, ending	<u>\$120,916</u>	<u>\$168,359</u>	<u>\$ 176,150</u>	<u>\$ 7,791</u>

*See notes to budgetary comparison schedule.*

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

General Fund

The budget for the General Fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by City Court.

Juvenile Services Center Fund

The budget for the Juvenile Services Center Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by City Court.

(2) Budgetary and Budgetary Accounting

The Court follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed budget is prepared and submitted to the City Court Judge for the fiscal year prior to the beginning of each fiscal year.
2. If proposed expenditures exceed \$500,000, a summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called, if required.
3. If required, a public hearing is held on the proposed budget at least ten days after publication of the call for a hearing.
4. After the holding of the public hearing, if required, and completion of all action necessary to finalize and implement the budget, the budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgetary appropriations lapse at the end of each fiscal year.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Notes to Budgetary Comparison Schedule (continued)

(3) Non-GAAP Reporting Reconciliation

Budgetary amounts adopted by the Court for the General Fund do not include on-behalf payments made by the City of Morgan City to the Court's employees for salaries and related benefits. These on-behalf payments are reflected as revenues and expenditures in the Court's financial statements as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Also, probation fees received by the Court are reported in the financial statements as Due to the City of Morgan City as reimbursement of salaries and related benefits. For budgetary purposes, probation fees are included as a component of fees, charges and commissions. Additionally, budget amounts do not include the residual transfer of accumulated excess to the City of Morgan City in accordance with Louisiana Revised Statute 13:2005.B.

Actual amounts for the General Fund are reconciled on a non-GAAP basis for comparison to budget as follows:

	As Reported	Adjustment to Budgetary Basis	Non-GAAP Basis
Revenues:			
Fees, charges & commissions	\$ 73,799	\$ 16,945	\$ 90,744
Intergovernmental	<u>328,892</u>	<u>(328,892)</u>	<u>-</u>
Total	<u>\$ 402,691</u>	<u>\$ (311,947)</u>	<u>\$ 90,744</u>
Expenditures:			
General government			
Operating services	<u>\$ 386,820</u>	<u>\$ (328,892)</u>	<u>\$ 57,928</u>

## **INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**



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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Kim P. Stansbury, Judge  
City Court of Morgan City  
Morgan City, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Morgan City ("Court"), a component unit of the City of Morgan City, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and have issued our report thereon dated June 28, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2013-001 and 2013-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2013-003.

### **Court's Response to Findings**

The Court's responses to the findings identified in our audit are described in the accompanying corrective action plan for current audit findings. The Court's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
June 28, 2014

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Audit Results and Findings  
Year Ended December 31, 2013

Part I. Summary of Auditors' Results:

Unmodified opinions have been issued on the financial statements of the Court's governmental activities, each major fund (General Fund and Juvenile Services Center Special Revenue Fund), and the aggregate remaining fund information.

Deficiencies in internal control were disclosed by the audit of the financial statements and the conditions are considered material weaknesses.

An instances of noncompliance required to be reported under *Government Auditing Standards* is reported in Part II of this schedule.

A management letter was not issued.

Part II. Findings reported in accordance with *Government Auditing Standards*:

A. Internal Control

2013-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *Internal control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Court's internal control over financial reporting includes those policies and procedures that pertain to the Court's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Audit Results and Findings (continued)  
Year Ended December 31, 2013

2013-002–Material Financial Statement Adjustments

CONDITION: Misstatements in the financial statements were not prevented, nor detected and corrected by the Court’s internal control resulting in proposed audit adjustments material to the financial statements.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Court’s internal control over financial reporting includes those policies and procedures that pertain to the Court’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

Such internal controls allow management to prevent or detect and correct misstatements on a timely basis.

CAUSE: The condition results from the failure to design and implement or follow implemented policies and procedure which provide assurance that the financial statements are not materially misstated.

EFFECT: Material audit adjustments were necessary to correct misstatements in the financial statements.

RECOMMENDATION: We recommend the Court design and implement policies and procedures or follow implemented policies and procedures which provide assurance to the fair presentation of the financial statements.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Schedule of Audit Results and Findings (continued)  
Year Ended December 31, 2013

B. Compliance

2013-003 – Budget Variance

CONDITION: The Court incurred budget variances in excess of 5% in the General Fund and Juvenile Services Center Fund.

CRITERIA: LSA-RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

“A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer for a political subdivision subject to public participation shall advise the governing authority or independently elected official in writing when:

(1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

(2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

(3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.”

CAUSE: The condition results from a failure to properly monitor the revenues and expenditures of the General Fund and Juvenile Services Center Fund.

EFFECT: The Court may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

RECOMMENDATION: We recommend that the Court periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statutes.

Part III. Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

Not applicable

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2013

A. Internal Control –

2012-1 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2013-001.

2012-2 – Misappropriation of Assets

CONDITION: Assets of the Court may have been misappropriated through forging of check signatures, returning purchased items for cash, and unauthorized fuel and other purchases.

RECOMMENDATION: We recommend that the Court implement policies and procedures to monitor purchases and check endorsements.

CURRENT STATUS: This finding has been resolved.

2012-3 – Negative Balance of Unsettled Deposits in Bond Fund

CONDITION: The Court incurred a negative balance of \$11,879 in unsettled deposits in the Bond Fund.

RECOMMENDATION: We recommend that Court attempt to reconcile the cash balances with unsettled deposits.

CURRENT STATUS: This finding has been resolved.

B. Compliance –

2012-4 – Budget Variance

CONDITION: The Court incurred budget variances in excess of 5% in the General Fund and Juvenile Services Center Fund.

RECOMMENDATION: We recommend that the Court periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statutes.

CURRENT STATUS: See schedule of audit results and findings item 2013-003.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Summary Schedule of Prior Audit Findings (continued)  
Year Ended December 31, 2013

2012-5 – Disbursements

CONDITION: The Court failed to provide an itemized detail of the sources of sums remitted to the Indigent Defender Office.

RECOMMENDATION: We recommend that the court implement policies and procedures to provide an itemized detail of all sources of disbursements to each recipient.

CURRENT STATUS: This finding has been resolved.

C. OMB A-133 –

This section was not applicable.

CITY COURT OF MORGAN CITY  
Morgan City, Louisiana

Corrective Action Plan for Current Audit Findings  
Year Ended December 31, 2013

2013-001 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: not applicable

2013-002 - Material Financial Statement Adjustments

CONDITION: Misstatements in the financial statements were not prevented, nor detected and corrected by the Court's internal control resulting in proposed audit adjustments material to the financial statements.

MANAGEMENT'S RESPONSE: The Court will implement policies and procedures to ensure that misstatements in the financial statements are able to be detected by the Court's internal control in order to prevent material proposed audit adjustments.

2013-003 – Budget Variance

CONDITION: The Court incurred budget variances in excess of 5% in the General Fund and Juvenile Services Center Fund.

MANAGEMENT'S RESPONSE: The Court will more closely monitor budget to actual comparisons and adopt the necessary amendments to ensure compliance with state statute.